

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Mexico's Trade Policy during the Peña Nieto Administration
Author of the thesis:	Geovanna Ferrara Torres
Referee (incl. titles):	Doc. Ing. Vladmír Benáček, CSc.

Comments of the referee on the thesis highlights and shortcomings (following the five numbered aspects of your assessment indicated below).

The thesis of Miss Ferrara opens wide opportunities for an academically very attractive thesis since Mexico is a unique economy due to its neighborhood with the US (still the world's economic hegemon), membership in NAFTA, expansion of China in the Pacific, the Trump impact, the dominant manufacturing assembly export structure and intensive policies of diversification. This would offer a vast space for a comparative study.

Unfortunately, there is one common denominator throughout the thesis: the lack of the theoretical underpinning in its analytical quest. There is a vast literature on the importance of RTAs and PTAs, their success and failures, which the author did not consider. There are also many techniques of economic analysis of diversification, which the author condensed into graphs/figures that did not provide much value added to the inputs of raw data. Thus also the comparative potential was left largely unused.

1) Theoretical background:

Chapter two with the literature review is well argued what concerns the explanation of the theories of trade. E.g. how trade can but also need not benefit all trading countries. The academic literature used there is satisfactory. This is not the case of remaining chapters, which would apply the trade specialization theory on the trade and policies of Mexico. Especially serious is the omission of the academic literature dealing with the RTAs and PTAs and their efficiency. The chapters 3-6 also lack the references to journals of academic prestige.

Comment to the crucial ch. 4 (on diversification in Mexico): As your topic of the thesis is the analysis of diversification and the importance of RTAs and PTAs on developing the trade, you should deal much more deeply with the theoretical papers on such a topic, both of the political literature and economic literature. E.g. Baccini L. and J. Urpelainen, "International Institutions and Domestic Politics: Can Preferential Trading Agreements Help Leaders Promote Economic Reform?," *The Journal of Politics* 76, no. 1 (January 2014): 195-214. And Rose, A, K. 2004. "Do We Really Know That the WTO Increases Trade?" *American Economic Review*, 94 (1): 98-114.

2) Contribution:

I must appreciate the author's historical assessment of trade policies pointing out that history in the Mexico's case repeats and presents similar decision-making circumstances for managing the external economic relationships. As the Mexican government was changing its strategies, it was not clear in the thesis how the outcomes differed. The analysis could target these issues and elaborated more on the policy outcomes.

The author pointed many times that Mexico tries to diversify its external economic ties, especially by deflecting from the tight relationship with the US. But this was insufficiently assessed in ch. 1-6 why a tight cooperation with the US is not economically advantageous. Or is this policy just political one?

Minor remarks:

- There is an error on p. 23 saying that the Mexican independence was declared in 1914 (instead of 1810-21).
- The figures of imports in 2017 on p. 29 are contradictory.

- On p. 32: please contrast the FDI declarations (promises to invest up to 81 billion USD) with the reality. E.g. Chinese low investments in 2018. "The FDI of China to Mexico accumulated from 1999 to 2018, is one thousand 26 million dollars, according to the Association of Employers of Zhongua in Mexico". See <https://www.mexicanist.com/l/china-mexico-investment/>.
- The statement on p.40 about the 600 maquiladoras being relocated to China is too serious to be mentioned just on mere one line.
- On p. 43 there are contradictory data about remittances in 2017.
- There is contradictory information about remittances on p. 44.
- While mentioning the FTAs on p. 53, it would be appropriate to append a table with a list of the FTAs and the countries involved.
- While mentioning "diversification" on p. 55 it would be worthwhile adding if it deals with countries or products. Both are of fundamental importance. Later you concentrated too much on the diversification of country partners and omitted the diversification of products.
- Somehow it is skipped (e.g. on p. 57 praising the NAFTA) that Trump administration downscaled NAFTA in a serious way and claimed recently the imposition of the US tariff of 5-25% on imports from Mexico.
- Unfortunately, the narratives in the crucial section 4 (e.g. look particularly at 4.1) are just akin to promotional propagandistic leaflets, e.g. those of the ProMéxico. The requirements on theses of FSV UK are stressing the principles of academic writing, which should be full of data, empirical and logical (theoretical) arguments. These are lacking in ch. 3-5 nearly everywhere.
- P. 92: Is the statement that China is the main economy in the Pacific Rim, true? Could some evidence be provided? Is it still not the US who is a hegemon?
- It could be fruitful if the author examined also the evolution of the exports of services, as compared to commodities.
- The proposal to eliminate ProMéxico agency (see p. 103) is a fundamental policy change - it needs more explanation.

3) Methods:

The methodology of the thesis is superficial. The thesis is full of value judgements (describing e.g. success or failures) and full of verbal statements, which lack arguments and proofs. Especially the quantitative analytical arguments derived from raw input data. From a point of statistics, your figures are just a repetition of primary data. The trick of analytical academic writing rests in the procession of such data, e.g. by computing trends and their statistical significances, comparative studies with other countries or regressions. Your graphs do not offer much of these.

For example, figure 6C makes no sense. Instead, a table with years and products with share analysis will be much more revealing and reader-friendly.

Figure 6 E is difficult to interpret. You should have used some quantitative indices of changing shares, e.g. as sums of absolute values of differences or squares of differences (of the compared two 6-year periods).

Figures 6 A and 6 B should be extended to more than 5 main countries. The diversification could have been achieved by market extension with small or distant countries that you omitted.

Figure 6 Q for FDI has the same shortcomings as this technique used for exports and imports of goods. The quantitative analysis of time series by trends could be much more revealing.

The quantitative analysis of country structure, product structure, exports, imports and FDI in the only analytical chapter 6 is too superficial, lacking any theoretical or conceptual background. It is a collection of simple data without deriving any general conclusions. This analysis is not related to the policies. Thus the reader is still wondering if the policies of two Mexican presidents were successful or not. The methodology of this research was too weak, thus unable to generate neither quantitative nor qualitative implications about the policies.

Comparison of Mexico with Canada (and-or Czechia who have similar asymmetries in trade) in the policies of diversification could be interesting. You have omitted this comparison.

4) Literature:

The thesis is based on many references. Unfortunately, the list of literature concentrates on non-academic writings. To a large extent the arguments in the thesis are based on statements from newspapers, government declaratory policy intentions and policy statements of international organizations. That is insufficient for a thesis of IEPS program. The majority of academic literature is concentrated in ch. 2 on the theories of trade. This chapter has little impacts on the analysis in remaining chapters.

5) Manuscript form:

The thesis is too long (140 000 characters, 110 pages), i.e. by more than a third more extensive than is the recommended size. The problem is that there are too many repetitions of the same facts and policy judgments that could make the thesis more homogenous and better organized, hitting the target in more persuading way.

There are few typos and grammatical errors, which deserves appreciation. Unfortunately the author sometimes confuses million with billion (as on p. 66 or 71).

The greatest weakness rests in the usage of non-standard referencing of the literature and sources.

Suggested questions for the defence are:

- a) Explain how the trade and investment policies of diversification in Mexico were determined: a) Endogenously as economic (profit) optimization of Mexican firms; b) As a political decision of the government in order to optimize the security of country (e.g. as a response to D. Trump's assault on Mexico); c) As an opening up to the Chinese world expansion; d) Any other reason.“
- b) Is China a trade partner that strengthens the competitiveness of Mexican economy, or a threat that crowds out Mexico from the world markets?

I recommend the thesis for final defence.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Theoretical background (max. 20 points)</i>	12
<i>Contribution (max. 20 points)</i>	15
<i>Methods (max. 20 points)</i>	9
<i>Literature (max. 20 points)</i>	14
<i>Manuscript form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	67
The proposed grade (A-B-C-D-E-F)	D

DATE OF EVALUATION: 10 June 2019

Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Quality standard
91 – 100	A	= outstanding (high honour)
81 – 90	B	= superior (honour)
71 – 80	C	= good
61 – 70	D	= satisfactory
51 – 60	E	= low pass at a margin of failure
0 – 50	F	= failing. The thesis is not recommended for defence.

The referee should give comments to the following requirements:

1) THEORETICAL BACKGROUND: Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant to this thesis topic? Were some important theoretical concepts **omitted**? Was the theory used in the thesis consistently **incorporated with the topic** and hypotheses tested? Has the author demonstrated a genuine **understanding** of the theories addressed?

Strong	Average	Weak	
20	15	< 10	points

2) CONTRIBUTION: Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and the ability to draw **conclusions** based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the **policy implications** well founded?

Strong	Average	Weak	
20	15	< 10	points

3) METHODS: Are the **hypotheses** for this study clearly stated, allowing their further **verification and testing**? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or **irrelevant detours** off the main body stated in the thesis proposal? More than 12 points signal an exceptional work, **which requires your explanation "why" it is so**).

Strong	Average	Weak	
20	15	< 10	points

4) LITERATURE REVIEW: The thesis demonstrates the author's full understanding and **command of recent literature**. The author **quotes** relevant literature in a **proper way** and works with a **representative bibliography**. (Remarks: references to Wikipedia, websites and newspaper articles are a sign of **poor research**. If they dominate, you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give a much better impression. Any sort of **plagiarism** disqualifies the thesis from admission to defence.)

Strong	Average	Weak	
20	15	< 10	points

5) MANUSCRIPT FORM: The thesis is **clear and well structured**. The author uses appropriate **language and style**, including the academic **format for quotations**, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**. The text is free from typos and easy to comprehend.

Strong	Average	Weak	
20	15	< 10	points